

SENATE BILL 126
EMERGENCY BILL

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B5

2003 Regular Session
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CF 3r1354

By: **Senator Lawlah (Joint Committee on the Management of Public Funds)**
and Senators McFadden, Haines, and Forehand

Introduced and read first time: January 24, 2003

Assigned to: Budget and Taxation

Committee Report: Favorable

Senate action: Adopted

Read second time: February 11, 2003

CHAPTER _____

1 AN ACT concerning

2 **General Obligation Bonds - Accounting for Proceeds**

3 FOR the purpose of requiring the Comptroller to establish the State and Local
4 Facilities Loan Fund, a premium and expense account, and certain accounts and
5 subaccounts for accounting purposes; requiring the Comptroller to credit,
6 expend, and account for certain proceeds from the sale of State bonds in a
7 certain manner; authorizing certain uses of certain proceeds; allowing the
8 Comptroller to restate certain prior expenditures of certain proceeds;
9 authorizing certain proceeds to be transferred to and expended from the State
10 and Local Facilities Loan Fund; making this Act an emergency measure; and
11 generally relating to crediting, expending, and accounting for general obligation
12 bond proceeds.

13 BY repealing

14 Article - State Finance and Procurement

15 Section 8-125

16 Annotated Code of Maryland

17 (2001 Replacement Volume and 2002 Supplement)

18 BY adding to

19 Article - State Finance and Procurement

20 Section 8-125

21 Annotated Code of Maryland

22 (2001 Replacement Volume and 2002 Supplement)

23 BY repealing and reenacting, with amendments,

1 Article - State Finance and Procurement
2 Section 8-127
3 Annotated Code of Maryland
4 (2001 Replacement Volume and 2002 Supplement)

5 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
6 MARYLAND, That the Laws of Maryland read as follows:

7 **Article - State Finance and Procurement**

8 [8-125.

9 (a) The Comptroller shall establish:

10 (1) an annuity bond account for each enabling act; and

11 (2) as part of the account, a premium and expense account.

12 (b) (1) The Comptroller shall credit the proceeds of the sale of State bonds:

13 (i) to the annuity bond account for the enabling act under which
14 the State bonds are issued; or

15 (ii) whenever State bonds are sold as part of a State and local
16 facilities loan, among the annuity bond accounts for the enabling acts under which
17 the State bonds are sold.

18 (2) The Comptroller shall credit to the premium and expense account the
19 part of the proceeds that is a premium.

20 (c) (1) To the extent payment of these expenses is not otherwise provided
21 for, each premium and expense account shall be charged with the expenses of the sale
22 of State bonds issued under the enabling act for which the account is established.

23 (2) After all expenses of the sale of State bonds have been paid, the
24 money that remains in the account shall be transferred to the Annuity Bond Fund, to
25 be applied to the debt service requirements on State bonds.]

26 8-125.

27 (A) IN THIS SECTION, "FUND" MEANS THE STATE AND LOCAL FACILITIES
28 LOAN FUND.

29 (B) FOR BONDS ISSUED UNDER § 8-122 OF THIS SUBTITLE, THE COMPTROLLER
30 SHALL ESTABLISH:

31 (1) THE STATE AND LOCAL FACILITIES LOAN FUND;

32 (2) A PREMIUM AND EXPENSE ACCOUNT IN THE FUND; AND

1 (3) FOR ACCOUNTING PURPOSES ONLY:

2 (I) A CAPITAL PROJECT ACCOUNT FOR EACH ENABLING ACT; AND

3 (II) SEPARATE SUBACCOUNTS FOR EACH PROJECT INCLUDED IN
4 ENABLING ACTS AUTHORIZING MULTIPLE PROJECTS.

5 (C) (1) THE COMPTROLLER SHALL CREDIT THE PROCEEDS OF THE SALE OF
6 STATE BONDS TO THE FUND.

7 (2) THE COMPTROLLER SHALL CREDIT TO THE PREMIUM AND
8 EXPENSES ACCOUNT:

9 (I) ANY PART OF THE PROCEEDS OF A BOND SALE THAT IS A
10 PREMIUM; AND

11 (II) ANY ADDITIONAL PART OF THE PROCEEDS NECESSARY TO PAY
12 THE EXPENSES OF THAT BOND SALE.

13 (D) (1) ON APPROVAL BY THE BOARD, THE COMPTROLLER MAY EXPEND
14 MONEY FROM THE FUND FOR ANY EXPENDITURE AUTHORIZED BY AN ENABLING
15 ACT, REGARDLESS OF WHETHER BONDS HAVE BEEN SOLD TO SPECIFICALLY FUND
16 THAT ENABLING ACT.

17 (2) TO ENSURE COMPLIANCE WITH § 8-127 OF THIS SUBTITLE, THE
18 COMPTROLLER SHALL ACCOUNT FOR ALL EXPENDITURES FROM THE FUND ON A
19 PROJECT-SPECIFIC BASIS.

20 (3) AN EXPENDITURE MADE UNDER THIS SUBSECTION MAY NOT
21 REDUCE THE AMOUNT OF BONDS AUTHORIZED UNDER AN ENABLING ACT FOR
22 WHICH BONDS HAVE NOT BEEN SOLD.

23 (E) (1) UNLESS PAYMENT OF EXPENSES OTHERWISE HAS BEEN PROVIDED,
24 THE EXPENSES OF EACH BOND SALE SHALL BE PAID FROM THE PROCEEDS OF THAT
25 BOND SALE CREDITED TO THE PREMIUM AND EXPENSE ACCOUNT.

26 (2) AFTER THE EXPENSES OF EACH SALE OF STATE BONDS HAVE BEEN
27 PAID, THE REMAINING PREMIUM CREDITED TO THE PREMIUM AND EXPENSE
28 ACCOUNT FROM THAT BOND SALE SHALL BE TRANSFERRED TO THE ANNUITY BOND
29 FUND TO PAY DEBT SERVICE ON THOSE BONDS.

30 8-127.

31 (a) Except as provided in § 8-129 of this subtitle, the proceeds of a sale of
32 State bonds may be used only in the manner and for a project or program that is
33 specified in [the] AN enabling act [under which the State bonds are issued]
34 AUTHORIZING THE ISSUANCE OF STATE BONDS.

35 (b) (1) Except as provided in § 8-129 of this subtitle, the proceeds of a sale of
36 State bonds may be used only for a capital improvement unless:

- 1 (i) the enabling act specifically provides otherwise; or
2 (ii) in an emergency, the Board unanimously grants a temporary
3 exception.

4 (2) The Board shall determine whether the object of an expenditure is a
5 capital improvement. The standard for this determination is whether the useful life of
6 the object equals or exceeds the life of the State bonds.

7 (c) The Board shall enforce the provisions of this section.

8 SECTION 2. AND BE IT FURTHER ENACTED, That, in order to allocate
9 proceeds from the sale of State bonds to eligible expenditures for the purposes of
10 complying with the Internal Revenue Code and § 8-131.1 of the State Finance and
11 Procurement Article, to the extent permitted and in a manner consistent with the
12 federal Internal Revenue Code, the Comptroller may restate the prior expenditures of
13 proceeds from prior sales of State bonds as provided in Section 1 of this Act.

14 SECTION 3. AND BE IT FURTHER ENACTED, That the Comptroller may
15 transfer unexpended proceeds from prior sales of State bonds to the State and Local
16 Facilities Loan Fund and may expend such proceeds in accordance with Section 1 of
17 this Act.

18 SECTION 4. AND BE IT FURTHER ENACTED, That this Act is an emergency
19 measure, is necessary for the immediate preservation of the public health or safety,
20 has been passed by a ye and nay vote supported by three-fifths of all the members
21 elected to each of the two Houses of the General Assembly, and shall take effect from
22 the date it is enacted.